

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF SOUTH SHORE)
WATER WORKS COMPANY FOR A) CASE NO. 9330
GENERAL RATE INCREASE)

O R D E R

IT IS ORDERED that South Shore Water Works Company ("South Shore") shall file an original and ten copies of the following information with the Commission with a copy to all parties of record within 20 days from the date of this Order. South Shore shall also furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

It is the practice of this Commission to allow only known and measurable increases to actual test year expenses which can be substantiated by appropriate documentation (invoices and/or other related material) supporting increases to the actual expense. Please review your application in light of the following questions and file any additional support which may be necessary.

1. Provide the following information concerning salaries and wages for the test period ending December 31, 1984:

a. Name, title and duties of each employee.

b. Number of hours worked each month or week.

c. Total test period salary of the employee(s) and the operating expense account the salary was charged relative to the expense account classification shown pages 20 and 21 of the 1984 Annual Report.

d. Method of allocation used where a salary or wage was allocated between more than one operating expense account.

e. Exhibit 3, page 3, item number 4 provides for 2 additional employees at a salary of \$10,000 each. To date, have these employees been hired?

2. Provide the following information concerning total rate case expense of \$4,200 for legal and accounting services as indicated on Kimbleton Exhibit No. 4, page 2:

a. Hourly rate for legal and accounting services.

b. A detailed analysis showing the specific hours spent by the attorney and the accountant pursuant to each duty performed and the total charge for each segment of the preparation of the rate case.

3. On page number 16 of the 1984 annual report of South Shore the analysis of account number 271 - Contributions In Aid of Construction shows deductions of \$29,921 during the year. Please state the nature of this reduction. The Uniform System of Accounts as prescribed by this Commission states that the credits in this account shall not be transferred to any other account without the approval of the Commission. Did South Shore request this approval from the Commission?

4. On line 19, page 18 of the 1984 annual report of South Shore, the account Income From Nonutility Operations shows a balance of \$13,435. Please explain, in detail, the nature of this income, and identify any expense pertaining to this non-utility income included in water operating expenses?

5. Provide a copy of the tax bills representing taxes of \$11,177 as shown on page 22 of the 1984 Annual Report of South Shore.

6. Provide a detailed breakdown with a full description of major expenses included in these accounts for the test period. (Items less than \$50 may be grouped and repetitive or like items may be consolidated and shown as a single or combined amount.)

Chemicals	\$ 9,296
Meter Expense	6,162
Meter Reading Expenses	10,140
Miscellaneous Customer Accounts Expenses	1,691
Office Supplies and Other Expenses	7,025
Outside Services Employed	1,955
Employee Pensions and Benefits	1,785

7. On the financial exhibit (Exh. #1) of South Shore, item number 6 indicates that a note was issued by South Shore on 3-13-85 in favor of First and Peoples Bank, South Shore, Kentucky, in the principal amount of \$250,000 at an interest rate of 12%. Has South Shore received approval from the Commission to incur this indebtedness? Furthermore, does South Shore intend to renew the note for a longer period of time at its maturity 3/31/86. State the minimum amortization period necessary to pay off this

note. If less than 15 years, provide the rationale for the shorter period.

8. Item number 8 of South Shore's application for rates states that its test year is the calendar year ending December 31, 1984. However, an examination of Mr. Ova Kimbleton's exhibits indicates that he has used the test year ending January 31, 1985, to which he has applied certain adjustments thereto. The commission is of the opinion that his adjustments should be applied to the December 31, 1984, test year. Please confirm this and make any necessary adjustments.

9. In the prefiled testimony of Mr. Ova Kimbleton, he states in his answer to question number 18 concerning the pro forma adjustment of \$77,133 that he developed a formula to amortize the cost of improvements and financing over a ten year period. Provide the Commission with a copy of the working papers which would show the detail of the computation. Furthermore, the Commission is of the opinion that the preferable accounting treatment of the proposed improvements of \$248,016 would be to depreciate each capital item over the useful life of the asset. Your comment on this matter is requested.

10. Provide the following information with regard to the pro forma adjustment of \$12,568 related to recovery of chemical charges:

- a. Identify by month and year the cost of chemicals used in the special purification of water.
- b. Identify by month and year the chemical charges billed to the customers of South Shore.

c. To clarify the record, chemical charges in the amount of \$50,270 (Ref: Kimbleton Exhibit Number 4, Schedule 5, page 3) were collected from the customers of South Shore over a certain period of time, and South Shore now requests that it be allowed to increase its rates sufficiently to provide additional revenues to repay its customers over a period of 48 months by a pro forma annual adjustment of \$12,568. In essence, isn't this asking the customer to pay twice? Please submit your comments on this matter.

11. The billing analysis (Ref: Kimbleton Exhibit Number 1) shows revenue from water sales in the amount of \$175,297, and the statement of income shows revenue from water sales as \$161,478. Please reconcile this difference of \$13,819.

12. Provide a breakdown of the Miscellaneous Service Revenues in the amount of \$3,417.91 shown on the statement of income.

13. Please explain the nature of the work to be preformed for the proposed transit charge in the amount of \$35.00. Is this to install a meter, repair a line, etc?

14. Please provide cost justification for the following charges, an explanation of the services preformed for the charges, and explain in detail why South Shore did not request approval of the Commission prior to implementing these charges.

a. Returned Check Fee	\$ 6.00
b. Meter Transfer	10.00
c. Reconnect Fee	10.00

d. Meter Test 11.50

(If the meter is found to be inaccurate
does the customer pay the meter test fee?)

e. Water Deposit - Residential 15.00

f. Water Deposit - Commercial 25.00

g. Trailer Guarantee (2 years) 75.00

(If interest paid on the deposits and
guarantee when returned?)

h. Transit Charge (In City) 20.00

i. Transit Charge (outside City) 35.00

j. Road Cut (gravel) 25.00

k. Road Bore 80.00

l. Late Penalty 10 percent of bill owed

m. Chemical Charge - 10 percent per Thousand

Please provide a breakdown of the amount of revenues collected for each of the special charges during the test year.

15. The comparison of rate schedules (Application, Exhibit 2) shows a proposed increase in the Hydrant charge from \$2.50 to \$5.50. The statement of income (Application, Exhibit 3) does not show an increase in revenues from this adjustment. Please provide an explanation.

16. The billing analysis shows 1,876 bills or approximately 156 customers. On Page 4, Answer No. 25, Mr. Hannah states that there are over 1,800 metered customers connected to the system, and the 1984 Annual Report shows 1,905 customers. Please explain this difference.

17. Will the improvements to the system result in new customers being added to the system? If so, how many?

18. The 1984 annual report shows \$6,000 in revenue received from sales to public authorities. Is this amount included in the billing analysis? Please identify these customers and the rates charged per 1,000 gallons.

Done at Frankfort, Kentucky, this 19th day of June, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemenway
For the Commission

ATTEST:

Secretary